

ARIZONA STATE RETIREMENT SYSTEM

Financial Horizons

FALL 2001

Letter from the Director

Dear Members:

Your 2001 Annual Benefits Statements are scheduled to be mailed out very soon. When it comes to the mailing of the statements, there are a couple of important facts of which we would like you to be aware:

♦ Statements will be mailed by mid-October. These statements show service credit and other account information as of June 30, 2001, the end of our fiscal year.

♦ The statements are mailed in batches, sorted by member status and then by zip code.

Your statement provides information about benefits that you may be eligible to receive under the Arizona State Retirement System (ASRS). It also contains valuable information that can help you plan for the future. Share this information with your family and keep it in a safe place with your other important documents.

In addition, you will automatically receive your personal Social Security Statement from the Social Security Administration about three months before your birthday. The statement will show your year-by-year earnings based on information your employer(s) reported. The statement also will provide estimates of retirement, as well as survivors and disability benefits you and your family may be able to receive now and in the future. If you don't want to wait until you receive your automatic statement, call the toll-free number at (800) 772-1213, or go to www.ssa.gov on the Internet to obtain a Form 7004 (request for Social Security statement).

You will be happy to know that the ASRS investment portfolio has generated an excellent performance. You can refer to the graph on page 3 to see our most recent rate of return. Partly as a result of our investment performance, the Arizona State Retirement System continues to offer one of the finest public employee retirement programs in the country.

LeRoy Gilbertson
Director

THE ASRS MISSION

The mission of the ASRS is to contribute toward its members' long-term financial security by providing retirement, disability, survivors' and health insurance benefits; and by counseling and disseminating information to its members.

Furthermore, the mission of the ASRS website is to provide timely and useful information on-line to ASRS members, the Arizona State Legislature, Governor's Office, employers, staff, vendors and the public.

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ASRS Board

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Chief Operations Officer

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Retiree Premium Benefit Supplement Program

Normal Supplement

The ASRS provides a health insurance premium benefit supplement to qualified retirees.

The Arizona Legislature recently passed, and the Governor signed, legislation to increase the premium benefit supplement offered to all retirees participating in a health or accident insurance program provided or administered by the ASRS or an ASRS employer.

The increases, **effective July 1, 2001**, are listed in the table below. This increase should have appeared in your July pension check.

| COVERAGE TYPE: Normal Supplement | NEW AMOUNT* | CURRENT AMOUNT |
|---|--------------|----------------|
| Medicare eligible, member only | \$100 | \$65 |
| Medicare eligible, family coverage | \$170 | \$115 |
| Non-Medicare eligible, member only | \$150 | \$95 |
| Non-Medicare eligible, family coverage | \$260 | \$175 |
| Combination Medicare/Non-Medicare eligible, family coverage | \$215 | \$145 |

**Amounts listed are for members with 10 or more years of service who are eligible for 100% of the premium benefit supplement. Members with 5 – 9 years of service are pro-rated accordingly (5 years of service = 50% of amount listed, 6 years of service = 60% of amount listed, etc.)*

Some retirees have suggested that the ASRS change its policies and pay the premium benefit supplement directly to retirees. Currently, the ASRS does not pay the premium benefit supplement directly to retirees so that the premium benefit supplement will be a tax-free benefit for retirees. If the ASRS were to pay the premium benefit supplement directly to retirees, the total amount of the benefit would become taxable as income of the retirees. This is an option that we will continue to study.

Enhanced Supplement

For qualified retirees who are participating in a program provided or administered by an ASRS employer and **who live in areas of Arizona where no managed care (HMO) program is offered ("non-service areas")**, the Arizona Legislature recently passed, and the Governor signed, legislation to provide an **additional** premium benefit supplement **effective July 1, 2001 through June 30, 2003**. These additional increases are listed in the table below.

The computer programming changes required to implement this portion of the legislation are complex. **At this time the ASRS anticipates that retirees who are eligible for this additional benefit will receive a retroactive payment in December 2001 or January 2002.**

| COVERAGE TYPE: Enhanced Supplement | ADDITIONAL AMOUNT over the amounts listed above* |
|---|---|
| Medicare eligible, member only | \$170 (\$270 total) |
| Medicare eligible, family coverage | \$350 (\$520 total) |
| Non-Medicare eligible, member only | \$300 (\$450 total) |
| Non-Medicare eligible, family coverage | \$600 (\$860 total) |
| Combination Medicare/Non-Medicare eligible, family coverage | \$470 (\$685 total) |

**Amounts listed are for members with 10 or more years of service who are eligible for 100% of the premium benefit supplement. Members with 5 – 9 years of service are pro-rated accordingly (5 years of service = 50% of amount listed, 6 years of service = 60% of amount listed, etc.)*

Have you seen our Web site?

In March of this year, the Arizona State Retirement System released its new Web site (www.asrs.state.az.us) and promised a more informative and interactive Web site where we could serve our members' needs online. With the kickoff of our new Web site, the ASRS introduced the integration of some newly enhanced, Web-based applications.

- **Online Surveys**
This application allows us to query members and employers to find out what we're doing right and where they would like us to improve.
- **Web Site Search Feature**
With the volume of information on our Web site, this time saving feature quickly returns the specific pages that discuss the word or words the member used as the search criteria.
- **Financial Planning Calculators**
How long will it take to pay off a loan?
If you buy that car or house, what will the payments be?
The Financial Planning Calculators on our Web site can help you determine those answers in just a few keystrokes.

Recent legislation has greatly impacted the options available to our non-retired and retired members. In order to keep our members informed of these changes, the ASRS developed some additional applications that can be accessed via our Web site at any time. Those applications include:

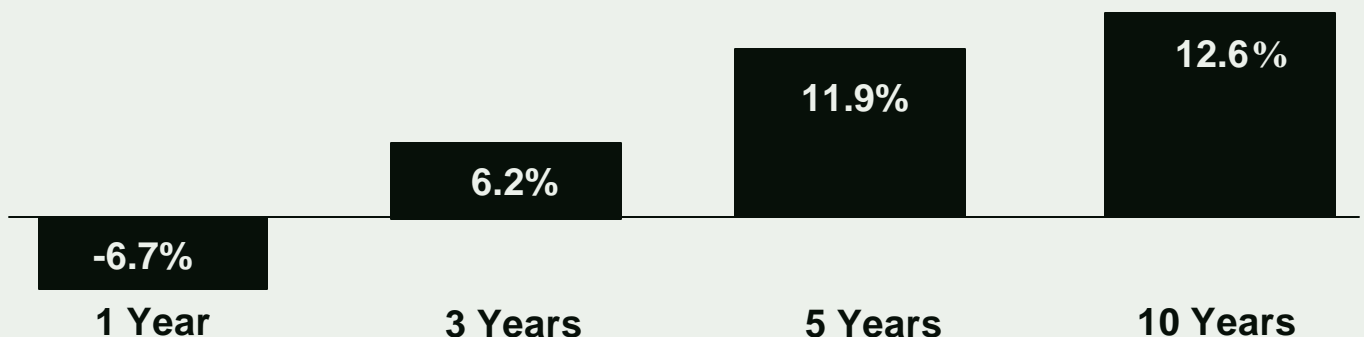
- **Permanent Benefit Increase (PBI-formerly known as COLA) Estimator:**
This handy estimator will quickly calculate the Permanent Benefit Increase Enhancement that will be applied to the retired members who qualify. The amounts can vary for each member, so visit our site and see how much money you could potentially be receiving. This is an ESTIMATE only. Decisions should be made after receiving appropriate counseling with a Benefits Advisor or attending a Group Meeting.
- **Service Purchase Estimators:**
We receive over 600 service purchase requests per month. The ASRS now has a way you can easily calculate the cost of purchasing active military service, other public service, prior forfeited service or leave of absence service. After utilizing the estimators, you can make an online request for the official process to begin. No more phone calls or letters are needed to start the process.
- **Retirement Benefit Estimator:**
Did you know we receive over 900 requests from our members each month to prepare retirement estimates so that they can forecast what their pension benefit will be? Now you can visit our Web site and calculate your own estimated retirement benefit.

We've got all of the current retirement options listed so that you can see how each choice will impact you. Best of all, you will see those options and values within seconds of supplying us with just a little bit of information.

So if you haven't seen our Web site lately ... we hope you'll visit it soon.

ASRS Investment Rates of Return

The ASRS continues to benefit from impressive rates of return. This graph reflects the rates of return for the period ending June 30, 2001.



ASRS Retiree Health Insurance Open Enrollment

October 15 through November 9, 2001, has been designated as the open enrollment period for the Arizona State Retirement System retiree health care plans. **Member elections will become effective January 1, 2002.**

Open enrollment applies to any retired member of the ASRS, Public Safety Personnel Retirement System (PSPRS), Elected Officials Retirement Plan (EORP), Correctional Officers Retirement Plan (CORP), University Optional Retirement Plan (UORP), or any member who is receiving a long-term disability (LTD) benefit from the ASRS program and who is not enrolled in health benefits through his or her former employer. Members or any eligible dependents that have not taken the opportunity to enroll previously in one of the group medical or dental plans also will be able to enroll.

Unlike past open enrollments, this is **not** a positive re-enrollment of every member. **No action on the part of a retired member or LTD recipient is required if you:**

- are already enrolled with the ASRS in a medical and/or dental plan **that is (are) continuing in 2002** and do not wish to make a change, or
- are not currently enrolled for ASRS coverage and do not wish to enroll for coverage as a new ASRS member, or
- are enrolled in your former employer's health insurance program and do not want to change to the ASRS coverage.

To make the open enrollment process easier to understand, a flow chart will be included in your open enrollment packet. It will illustrate what steps you need to take to accomplish your desired or needed goals for open enrollment. In addition, presentations are scheduled throughout Arizona during October to further explain each portion of your retiree health insurance program. The schedule of meetings also will be included in your open enrollment packet.

Open enrollment packets are scheduled to be mailed in late September. If you have not received your packet by October 15, please contact the special open enrollment help desk in the ASRS Member Services Division to request a packet. All packets are mailed to the address of record on file with the ASRS. Address changes you have made with your former employer may not be updated in your ASRS data file. It is your responsibility to let the ASRS know if and when you have had an address change.

A special phone number for open enrollment has been set up in Phoenix at 602-240-5350, in Tucson at 520-239-3100 extension 5350, or from outside Phoenix and Tucson at 800-621-3778 extension 5350. Please listen carefully to the voice menu as it was recently changed to accommodate open enrollment.

Open Enrollment Closes Friday, November 9, 2001

The open enrollment period for health insurance elections will close Friday, November 9.

This means that if you are making new elections or adding or deleting dependents from your health insurance coverage, **your enrollment form must be received by the Arizona State Retirement System or be postmarked no later than midnight, Friday, November 9. You must do this in order for your requested election(s) to be effective on January 1, 2002.**

If you wish, or are required to make a plan change and you fail to submit your completed enrollment form by the close date, your election(s) will not become effective. Consequently, you may lose coverage and will not be eligible to re-enroll in the ASRS retiree health insurance program until the next open enrollment, which will take place in the autumn of 2002. However, should you experience a "qualifying event," as defined by law, during the course of the year, you may enroll in an ASRS retiree medical and/or dental plan at that time.



2002 Enrollment Application

The ASRS 2002 Enrollment Application will be the only enrollment form acceptable to enroll in, or make changes to, health insurance plan coverage. The enrollment application will be included in your open enrollment packet along with a self-addressed return envelope for your convenience.

Important Reminder: Please complete the enrollment application in its entirety. Even if you are only changing from one medical plan to another medical plan or from one dental plan to another dental plan, fill out the application completely. Failure to check a plan coverage you want will indicate that you are not enrolling in that coverage. So, be thorough. If, in fact, you are declining coverage, please check the appropriate box(es). **A properly completed enrollment application must be received no later than Friday, November 9, 2001.**

What Changes Can I Expect in the Retiree Medical Plans for 2002?

The medical portion of the retiree health care contract with PacifiCare will continue in 2002. While there are no changes with respect to the level of medical benefits offered by PacifiCare, **monthly premiums will be increasing beginning January 1, 2002.** Final decisions on premium increases for 2002 had not been made as of the editing date of *Financial Horizons* (mid-August); consequently, the new monthly premiums could not be provided in this publication. However, your open enrollment packet will contain the new premiums for all medical and dental plans. Your packet will be mailed to you in late September.

Changes for Non-Medicare Eligible Retirees (Early Retirees) in Rural Arizona

On January 1, PacifiCare plans to withdraw its HMO option from the rural counties of Arizona (all counties except Maricopa, Pima, and Pinal). Eligible ASRS members in these rural areas will continue to have PacifiCare's Preferred Provider Organization (PPO) as an option for medical coverage. Specific details and premiums will be provided to you in your open enrollment packet.

Changes for Medicare Eligible Retirees in Pinal County (excluding Apache Junction)

Currently, PacifiCare provides its Medicare+Choice HMO plan **only** in Maricopa, Pima, and Pinal Counties. By September 17, PacifiCare will notify the federal agency that operates Medicare of their intent to withdraw or remain in Pinal County for 2002 with their Medicare+Choice HMO plan. Should PacifiCare withdraw from Pinal County for 2002, eligible ASRS members in this area will continue to have PacifiCare's Senior Supplement as an option for medical coverage. Pinal County residents living in Apache Junction will **not** be impacted by this withdrawal and will continue to have PacifiCare's Medicare+Choice HMO plan as an option for medical coverage. Specific details and premiums will be provided to you in your open enrollment packet.

Note: The problems, concerns, and solutions of retiree health care in Arizona are complex at best and offer difficult and potentially unwelcomed choices at worst. To address this growing issue, the Arizona State Legislature created an Ad Hoc Study Committee on Retiree Health Care Benefits. This Committee is charged with the task of examining the state of public employees' retiree health care benefits and providing recommendations to the Governor, the President of the Senate, and the Speaker of the House of Representatives on or before December 1 of each of the next two years. You will be kept informed of the findings and recommendations of this Committee when available.

What Changes Can I Expect in the Retiree Dental Plans for 2002?

Some significant changes and improvements have been made in the retiree dental plan offerings available from the ASRS.

First, **Protective DentalCare's indemnity dental plan will replace PacifiCare's** plan effective January 1, 2002. This new **comprehensive indemnity dental plan** has five significant improvements:

- The maximum annual dollar benefit will increase from \$1,000 to \$2,000.
- The amount of the billed charge considered for payment (i.e., the Usual, Reasonable and Customary [UCR] allowance) has been increased across-the-board to the 80th Percentile (PacifiCare's dental plan was paying at the 25th percentile for Major Dental Services).
- X-rays will now be covered under Diagnostic/Preventive Services with no deductible applied.
- Endodontic and periodontic dental services will be covered at the 80% benefit level under Basic Dental Services (previously covered at a 50% benefit level).
- Any member currently enrolled in either of the ASRS dental plans (i.e., indemnity or pre-paid) who enrolls in the Protective Comprehensive Indemnity Dental Plan will start (grandfathered) at the 50% benefit level for Major Dental Services; all new enrollees will start at the 25% benefit level for Major Dental Services for the first year and then graduate to 50% for the second year and each year thereafter.

There is another significant feature to Protective's indemnity dental plan offering. Protective has a **limited indemnity dental plan** that only covers Diagnostic/Preventive and Basic Dental Services for less than half of the comprehensive indemnity dental plan premium. This limited plan does not cover Major Dental Services. So, if a member or his or her dependent(s) needs a dental plan for exams, cleanings, x-rays, fillings, etc., and one that allows the member freedom to choose his or her own dentist, then the ASRS has a plan that can accommodate that preference.

The **Pre-Paid Dental Plan will remain with Protective** but will experience changes for 2002.

For Arizona residents, monthly premiums will decrease beginning in January 2002; however, co-payments will increase. For example, diagnostic and preventive co-payments increase (for each appropriate dental procedure) up to \$3 to \$7; basic/restorative co-payments increase moderately up to \$10 to \$17; and, co-payments related to major dental services increase on average \$20 to \$30. However, Protective has built in a "safety net" for select dental services to help lower co-payments.

This safety net, called the Specialty Benefit Amendment, saves the member money on select dental services - usually the more costly procedures and treatments. The current pre-paid dental plan does not have this safety net. Therefore, under the current plan, a member who receives endodontic services from a Protective-contracted specialist receives only a 15% discount off billed charges. Likewise, a member who receives periodontic or oral surgery services from a Protective-contracted specialist currently receives only a 25% discount off billed charges. The Specialty Benefit Amendment allows the member to pay a pre-determined co-payment, which, in most instances, ranges from 40% to 70% off billed charges. So, if select dental services are required, you save money by having this Specialty Benefit Amendment as part of your pre-paid dental plan.

Protective DentalCare understands that today's retirees demand choice. That is why they are offering three different dental plan options that allow you to choose between a limited and comprehensive indemnity dental plan and a pre-paid dental plan. These options provide you with the freedom to choose a dental plan that best fits your individual needs.

During this legislative session the ASRS supported legislative efforts to study ways of restructuring the pooling options and procurement of health insurance coverage for public employees, including ASRS retirees. The Legislature, with participation from the Governor's Office, the ASRS staff and other public sector employers, has agreed to assemble a Legislative Study Committee to study this important issue.

The ASRS is committed to continuing to discuss these and other related issues with the Legislature on behalf of retirees.

With the passage of many new legislative initiatives this year, the ASRS continues to receive an overwhelming number of calls from members. We acknowledge that members are waiting increasingly longer and are having more difficulty reaching our offices. Please be assured that we are taking steps to address this issue. These steps should be in place this fall.

On another note, we are excited to announce that the Member Services Division has just been re-located to the lobby of our Phoenix location to make visiting our offices easier and more convenient for members. Please read the "Bulletin Board" below for more details.

New Multiplier for Retirement Benefits

Senate Bill 1295 increases the multiplier used to calculate your retirement benefit for members who retire after May 9, 2001 with 20 or more years of credited service. The current formula used to calculate your retirement benefit is:

(Yrs. of Service) X (Avg. Monthly Compensation) X (Applicable Multiplier)

Effective May 9, 2001, a graded multiplier was put into effect that increased incrementally for members retiring with over 20 years of service.

| Years of Service | Multiplier Effective for Members Retiring After May 9, 2001 | Increase in Benefits (over current 2.10 multiplier) |
|-----------------------------------|---|---|
| 0.00 to 19.99 Years of Service | 2.10% | no increase |
| 20.0 to 24.99 Years of Service | 2.15% | (2.38% increase in pension) |
| 25.0 to 29.99 Years of Service | 2.20% | (4.76% increase in pension) |
| 30.0 or more Years of Service | 2.30% | (9.52% increase in pension) |

BULLETIN BOARD



Phoenix Office Reception Area: Same building, different floor.

The Member Services Division reception area has moved to the first floor of our 3300 North Central Avenue, Phoenix location. This move provides easier access to our members.

Workshops, Seminars & Group Meetings Schedule

Because our meetings fill up so quickly, it is best to check our Web site for availability. You can access that schedule online at www.asrs.state.az.us then click on "ASRS Calendar."

If you ever worked for the Department of Economic Security, Family Assistance Division Read On!

Anyone that worked in the Glendale office, at 142c from 1976 until 1998 is invited to get together with former co-workers to renew old friendships. A possible Alumni group is being formed for yearly get togethers. If interested, please e-mail Rosalyn Abramowitz at roza@quik.com or call 623-362-1211.

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COMMENTS?

The Arizona State Retirement System continues to appreciate your comments and suggestions. We encourage you to write the ASRS Director, LeRoy Gilbertson with your concerns. Please include your name, telephone number and Social Security number on all correspondence. Thank you for your input.

Send letters to:
LeRoy Gilbertson, Director
Arizona State Retirement System
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ASRS *Financial Horizons* is published quarterly for retired and non-retired members of the Arizona State Retirement System. We welcome letters from our readers and encourage you to address your comments to:

Stephanie Marries, Editor
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P.O. Box 33910
Phoenix, AZ 85067-3910

The ASRS complies with the *Americans with Disabilities Act of 1990*. This newsletter is available in an alternate format upon request. Contact Maria Antongiorgi, ADA Coordinator, at (602) 240-2139 in metro Phoenix, (520) 239-3100 ext. 2139 in metro Tucson or 1 (800) 621-3778 ext.2139 outside metro Phoenix and Tucson. Information in the newsletter about retirement laws or policies is only a guide. If a conflict arises between information contained in the newsletter and the law, the law takes precedence.

CONTACT US!

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**OUTSIDE METRO PHOENIX
AND TUCSON:**
Call Toll Free at (800) 621-3778

ASRS Awards New Long-Term Disability Income Plan Claims Administration Contract

At its June meeting, the ASRS Board chose VPA, Inc., to provide claims administration for its long-term disability income plan. The contract with Fortis Benefits Insurance Company expired on July 31, 2001.

VPA, Inc. is a full service, disability management company based in Calabasas, California and is the largest independently owned disability benefits third party administrator in the United States. Over the years, VPA's focus has been on only one business – managing absence and disability programs for large employers. Today, VPA administers over 300 plans covering more than 1,000,000 employees in all 50 states.

Information about the transition from Fortis to VPA was provided in the latter part of July to participating employers, claimants, and those who had applied for LTD benefits but were in a pending status. VPA assumed claims administration for new disability claims on August 1, 2001. Fortis will continue to process all open/active claims through September 30th 2001, at which time VPA will take over and be responsible for the entire LTD program.

It is the hope of the ASRS that the transition from Fortis to VPA will be seamless. We realize too that a change of this magnitude will provide challenges. It is the goal of the ASRS to minimize these challenges to the best of our ability.